

**Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201**

Department of the Treasury

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Employer Identification Number:

Contact Person - ID Number:

Date: January 27, 2012

Contact Telephone Number:

LEGEND

UIL 4945.04-04

D= grant name
E= business
x = dollar amount

Dear :

We have considered your request for advance approval of your employer-related grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated September 12, 2011.

Our records indicate that you are recognized as exempt from federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in section 509(a).

You will operate a grant-making program called D. The purpose of D is to provide a scholarship to individuals who are current and future employees of E and their dependents for full or part-time undergraduate study at a two or four year accredited educational organization described in section 170(b)(1)(A)(ii). No more than one scholarship award will be awarded to any one eligible employee and all of such employee's eligible dependents in any one year.

All active full and part-time employees of E, who have been employees continuously for at least one year on the date the scholarship applications are required to be submitted, and who are in good standing on such date will be eligible to participate in D. In addition, a dependent of an eligible employee (other than a dependent of an employee with a position of vice president or above) will be eligible to participate in the program if he or she (1) is 25 years old or under, (2) is the biological child, step-child or legally adopted child or legal ward of the eligible employee, (3) is living in the eligible employees household, (4) is a high school senior, high school graduate, or current or former undergraduate student, (5) has a grade point average of 2.5 or above for the last year of formal education and (6) will enroll or is already enrolled in an accredited two or four year college, university, vocational school or technical school by September 1st of the grant year.

Information to apply for D is publicized on the human resource page or web portal of E's internal employee internet site and through an internal employee newsletter. An application may be obtained online on the human resource page or web portal of E's internal intranet site. Applications must be completed by the eligible employee, and in the case of dependent applicants, by the eligible dependant as well. All complete applications submitted by the

application deadline shall be considered by the selection committee. Incomplete applications will not be considered.

Your selection committee will consist of individuals who are totally independent (except for participation on this committee) and separate from you and E. The selection committee will consist of three educational professionals chosen from the career development office or the admissions team of local colleges and community colleges who have experience evaluating the educational qualifications of the applicants.

The selection committee will review the applications submitted to ensure that each application has been fully completed, that all applicants are eligible employees or eligible dependents, and that each applicant meets all of the eligibility requirements. The selection committee will select applicants from the applicant pool by conducting a random drawing. Selected applicants will be notified by June 1st of each year and will be required to return a scholarship acknowledgement form to you by August 1st of the award year. Applicants receiving a scholarship will be required to notify their educational institution of the grant of the award.

Each scholarship awarded will be worth x dollars and will be paid in a single installment by check made out to the scholarship recipient's educational institution. You estimate awarding ten or less scholarships annually. You may reduce, but not increase, the number of grants to be awarded from the number recommended by the selection committee. Award checks will be mailed on or about August 15th of each year. Checks will be mailed to the applicant who will be required to deliver the check to his or her educational institution. Awards may only be applied to tuition and fees. Scholarship awards will not be transferable and may not be automatically renewed, although a successful scholarship recipient may apply for a new scholarship award in a subsequent year if the applicant continues to meet the eligibility requirements.

Relatives of members of the selection committee will not be eligible to apply for D. Members of your governing body, including your board of directors and their relatives, will not be eligible to apply for D.

D will not be used by you or E to recruit employees or to induce employees to continue their employment or otherwise follow a course of action sought by E. Any public announcement of scholarship awards will be made by you or the selection committee and not by E. Grants will be awarded solely in the order recommended by the selection committee. No person will be considered eligible who would not reasonably be expected to attend the educational organization for which the scholarship is sought, even if they meet such minimum standards. Eligibility to receive an award will not be related to any other employment related factors, such as an employee's position, services, or duties.

No grant will be terminated because the recipient or the recipient's parent terminates employment with E after the awarding of the grant regardless of the reason for such termination of employment. An award recipient will not be considered ineligible to receive additional grants simply because that individual or the individual's parent is no longer employed by E. When a grant is awarded, there will be no requirement, condition or suggestion, express or implied, that the recipient or parent is expected to render future employment services for you or E, or be available for such future employment. The course of study for which grants are available will not be limited to those that would be of particular benefit to your organization or E. Awards will not be conditioned on the recipient choosing a course of study that would be of particular benefit to you or E. Either (a) the number of grants awarded in any year to employees and children of the employees of E will not exceed twenty-five percent of the number of such persons who are eligible applicants considered by the scholarship selection committee in that year, or (b) the number of grants awarded in any year

to employees and children of employees of E will not exceed ten percent of the number of such persons who are eligible in that year. You will maintain records to show grants meet the applicable percentage test.

You will maintain records showing (1) the name and address of each scholarship recipient, (2) the amount distributed to each recipient, (3) the purpose for which the assistance was given, (4) the manner in which the recipient was selected and (5) the relationship, if any, between the recipient and your officers, directors, and substantial contributors as well as their family members and any corporation controlled by any substantial contributor. In addition, you will maintain records of the information used to determine the eligibility of scholarship applicants included in the pool from which grantees are selected and copies of all reports received from grantees or the grantees' educational institutions, as well as all reports of investigations of the use of grants funds. You will limit scholarship awards to students enrolled at educational organizations that normally maintain a regular faculty and curriculum, and that normally have a regularly enrolled body of students in attendance, where educational activities occur. You will also not condition the award of scholarship grants on the performance of teaching, research or other services. You will require scholarship grantees to report the courses they have taken and the grades they have received and require the report to be verified by the grantee's educational institution. Grantees will also be required to notify you of any change of address, change in school enrollment or other relevant change of status. You reserve the right to modify or terminate the scholarship program at any time.

If you have information indicating any part of a scholarship award may not have been used as intended, you will investigate the situation. You will not make any additional grants to the grantee until the investigation is completed. If the investigation reveals that any part of the award was not in fact used as intended, that grantee will not be eligible for additional grants. In addition, you will take reasonable steps, including, if appropriate, legal action, to ensure that any grant funds used for improper purposes are recovered or restored to proper uses and require the grantee to take extraordinary precautions to ensure that any grant funds are used only for proper purposes.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) (as in effect on the day before the date of the enactment of the Tax Reform Act of 1986) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or

(3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Revenue Procedure 76-47, 1976-2 C.B. 670, sets forth guidelines to be used in determining whether a grant made by a private foundation under an employer-related program to a child of an employee of the particular employer to which the program relates is a scholarship grant that meets the provisions of section 117(a) of the Code (as that section read before the Tax Reform Act of 1986). If a private foundation's program satisfies the seven conditions set forth in Sections 4.01 through 4.07 of Rev. Proc. 76-47 and meets the percentage test described in Section 4.08, the Service will assume the grants meet the provisions of section 117(a), as that section read before the Tax Reform Act of 1986.

You have agreed that procedures in awarding grants under your program will be in compliance with Sections 4.01 through 4.07 of Rev. Proc. 76-47 (without regard to the amendments to section 117(a) made by the Tax Reform Act of 1986). In particular, the selection of individual grant recipients will be made by a selection committee the members of which are totally independent and separate from the private foundation, the foundation's creator, and the relevant employer. The grants will not be used as a means of inducement to recruit employees nor will a grant be terminated if the employee leaves the employer. The recipient will not be restricted in a course of study that would be of particular benefit to the relevant employer or to the foundation.

Section 4.08 of Rev. Proc 76-47 provides a percentage test guideline. It states in the case of a program that awards grants to children of employees of a particular employee, the program meets the percentage test if either of the following tests are met: the number of grants awarded under that program in any year to such children do not exceed 25 percent of the number of employees' children who were eligible, were applicants for such grants, and were considered by the selection committee in selecting the recipients of grants in that year, or the number of grants awarded under the program in any year to such children does not exceed 10 percent of the number of employees' children who can be shown to be eligible for grants (whether or not they submitted an application) in that year.

You have agreed that your program will meet the requirements of either the 25 percent or 10 percent percentage test of Section 4.08 applicable to a program that awards grants to children of employees of a particular employer. Records should be maintained to show that you meet the applicable percentage test of Section 4.08

This determination is issued with the understanding that in applying the 10 percent test applicable to employees' children set forth in Rev. Proc. 76-47, you will include as eligible only those children who meet the eligibility standards described in Rev. Proc. 85-51, 1985-2 C.B. 717.

This determination will remain in effect as long as the procedures in awarding grants under your program remain in compliance with Sections 4.01 through 4.08 of Rev. Proc. 76-47 (without regard to the amendments to section 117(a) made by the Tax Reform Act of 1986). If you enter into any other program covering the same individuals, the percentage test of Rev. Proc. 76-47 must be met in the aggregate.

Based on the information submitted and assuming your award programs will be conducted as proposed, with a view to providing objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g)(1) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are 'scholarship or fellowship' grants within the meaning of section 117 of the Code, and are excludable from the gross income of the recipients subject to the limitations provided in section 117(b) of the Code, including to the extent that such grants are used for qualified tuition and related expenses within the meaning of section 117(b)(2) of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your employer-related grant-making program is a one-time approval. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent grant programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and histories so that any or all grant distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Lois G. Lerner
Director, Exempt Organizations

Enclosures:
Notice 437
A copy of the redacted letter